

# **Entrepreneurship**

## **Quarter 2 – Module 6**

### **4 M's of Production and Business Model**

This instructional material was collaboratively developed and reviewed by educators from public and private schools, colleges, and universities. We encourage teachers and other education stake holders to email there feedback, comments, and recommendations to the Department of Education at action [@deped.gov.ph](mailto:@deped.gov.ph)

We value your feedback and recommendations.



## What I Need to Know

In developing a business plan we also have to consider the importance of the 4M's of operations in all business opportunities. Because it helps you to identify the problems of the business in the future and in actual situation especially in the production process and marketing.

In application of your 4M's of production, it is best to consider the customer's point of view in terms of their influences as to why they will buy a particular product, does your product aim to answer each consumer's wants or needs and meet up with their expectations over the product, and how do suppliers, value chain and supply chain affects the business and production.

This module will guide you to demonstrate understanding of the 4M's of operations and for you to be able to:

- Describe the 4M's (Manpower, Method, Machine, Materials) of operations in relation to the business opportunity;
- Develop a product description;
- Create a prototype of the product;
- Test the product prototype;



## What I Know

Before we start with this module, answer the following questions below.

Directions: Write **True** if the statement is correct, otherwise write **False** if the statement is incorrect on the space provided below.

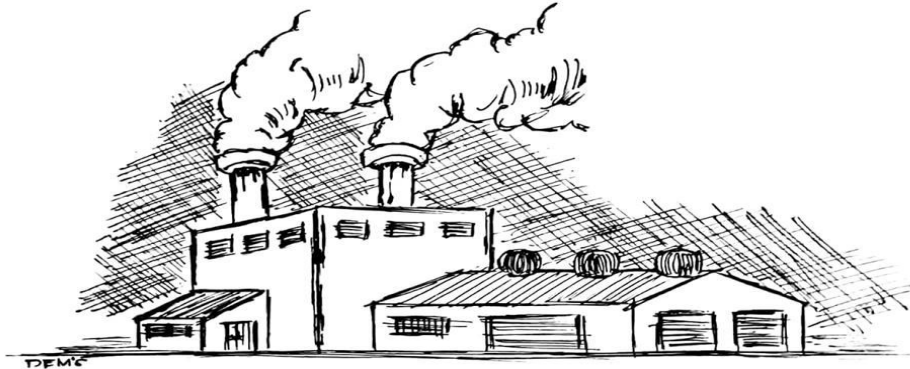
- \_\_\_\_\_ 1. Output represents the final products from the production process and distributed to the customers.
- \_\_\_\_\_ 2. The 4M's in the production operation are the materials, manpower, machine and money.
- \_\_\_\_\_ 3. Manpower in production operation refers to the workers involved in the

production of goods.

- \_\_\_\_\_ 4. Product description is the marketing copy that explains what a product is and its benefits.
- \_\_\_\_\_ 5. Prototype is a replica of a product.
- \_\_\_\_\_ 6. Product to produce is one of the factors to be considered in the production method.
- \_\_\_\_\_ 7. Educational qualifications and experience is one of the criteria in considering manpower.
- \_\_\_\_\_ 8. Skills and expertise is not important in considering manpower.
- \_\_\_\_\_ 9. Benefits are the reasons why customers will decide to buy the products.
- \_\_\_\_\_ 10. Machine refers to the manufacturing equipment.
- \_\_\_\_\_ 11. Supplier is an entity that supplies goods and services to another organization.
- \_\_\_\_\_ 12. Supply chain is a system of organizations, people, activities, data and properties involved in moving a product or service from supplier to customer.
- \_\_\_\_\_ 13. Business model describes the rationale of how an organization makes, transports, and captures value in economic, social, cultural or other contexts.
- \_\_\_\_\_ 14. In selecting the type of equipment to purchase, the entrepreneur may consider cost and capacity of the equipment.
- \_\_\_\_\_ 15. Value chain is the process or activities by which a company adds cost to an article, that includes production, promotion, and providing of after-sales service.

# **Lesson 1**

## **4 M's of Operations in Relation to the Business Opportunity and Developing Business Model**



### **What's In**

In your previous lesson, you learned about the 7P's of Marketing Mix; Product, Place, Price, Promotion, People, Packaging and Positioning in relation to business opportunity, wherein marketing is about creating and accumulating customers. Marketing plans are intended to capture a market portion and to setback competitors.

*Brand name* was also introduced, where it is a name, symbol, or other feature that distinguishes a seller's goods or services in the marketplace. Your brand is one of the greatest assets because your brand is your customers' over-all experience of your business.

Experts believed that a good brand can result in better loyalty for its customers, a better corporate image and a more relevant identity.



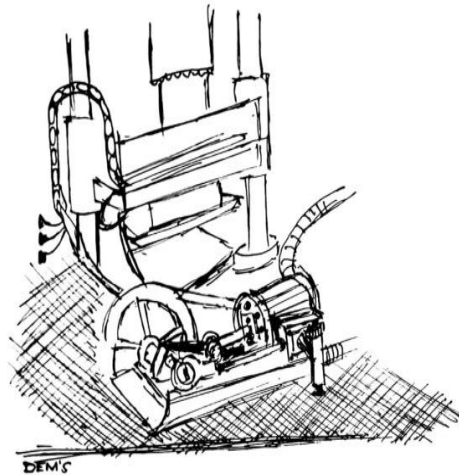
## What's New

### GUESS THE PICTURE

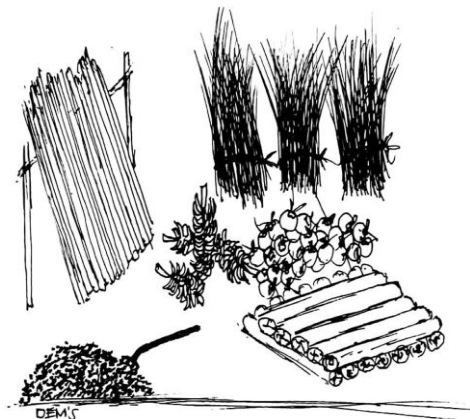
Direction: Given with the following pictures, fill in the following blanks below to form a meaningful word. Two (2) points for each correct word.



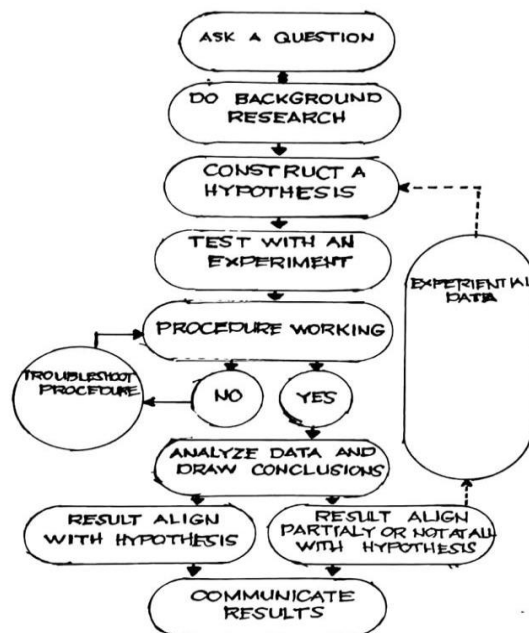
M \_ \_ P \_ W \_ R



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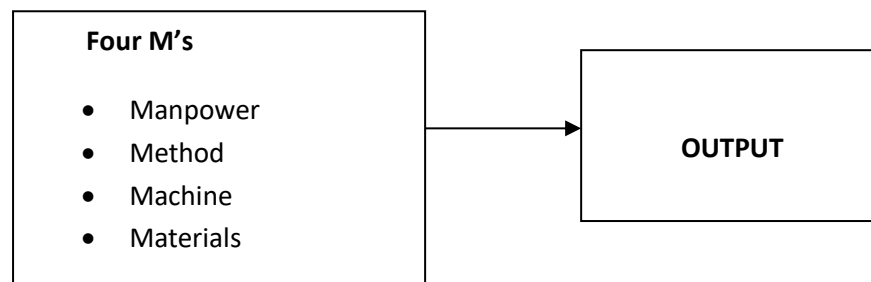
M \_ \_ H \_ \_ S



## What is It

The most serious issues in the whole production system are the inputs and the transformation process. Their quality determines the quality of the output.

The factors involved in the input and the production process are usually referred to as the Four M's of production, namely *Manpower*, *Method*, *Machine*, and *Materials*.



### Manpower

- Talks about human labor force involved in the manufacture of products.
- It is measured as the most serious and main factor of production. The entrepreneur must determine, attain and match the most competent and skilled employees with the jobs at the most appropriate time period.
- Educational qualifications and experience, status of employment, numbers of workers required, skills and expertise required for the job are some of the manpower criteria that must be highly considered by the entrepreneur.

### Material

- Talks about raw materials necessary in the production of a product. Materials mainly form part of the finished product. Just in case the resources are below standard, the finished product will be of unsatisfactory as well.
- The entrepreneur may consider cost, quality, availability, credibility of suppliers and waste that the raw material may produce.

### Machine

- Discusses about manufacturing equipment used in the production of goods or delivery of services.

- In the process of selecting the type of equipment to purchase, the entrepreneur may consider types of products to be produced, production system to be adopted, cost of the equipment, capacity of the equipment, availability of spare parts in the local market, efficiency of the equipment and the skills required in running the equipment.

### **Method**

- Production method discusses the process or way of transforming raw materials to finished products. The resources undergoes some stages before it is finalized and becomes set for delivery to the target buyers.
- The selection of the method of production is dependent on product to produce, mode of production, manufacturing equipment to use and required skills to do the work.

### **Product Description**

- Is the promotion that explains what a *product* is and why it's worth buying? The purpose of a *product description* is to provide customers with details around the features and benefits of the *product* so they're obliged to buy.
- Know who your target market is, focus on the product benefits, tell the full story, use natural language and tone, use power words that sell, and use good images. These are guidelines for you to have a good product description; since some customers are very particular with it since they consider the welfare of their family, if it is safe to use.

### **Prototyping**

A duplication of a product as it will be produced, which may contain such details as color, graphics, packaging and directions. One of the important early steps in the inventing process is making a *prototype*. Benefits are the reasons why customers will decide to buy the products such as affordability, efficiency or ease of use. The features of the product or service merely provide a descriptive fact about the product or service.

It is better to test your product prototype to meet customers' needs and expectations; and for your product to be known and saleable. Pretesting of the product or service is similar to a sample of the product or service given to the consumer free of cost in order that he/she may try the product before committing to a purchase.

## **Supplier**

An entity that offers goods and services to another business. This entity is among of supply chain of a business, which may offer the main part of the value contained within its products. Certain suppliers may even involve in drop shipping, where they ship goods directly to the customers of the buyer.

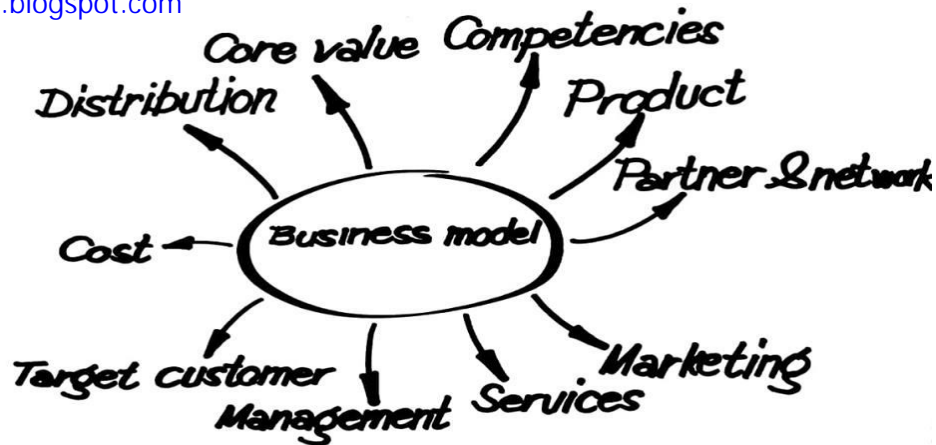
**Suppliers** are your business partners, without them your business will not live. You need them as much as you need your customers to be satisfied. But as an entrepreneur you have to choose a potential supplier that has loyalty and value your partnership; a supplier that would lead you to the fulfillment of your business objectives, mission and vision.

**Value chain** is a method or activities by which a company adds value to an item, with production, marketing, and the provision of after-sales service. The main goal and benefit of a value chain, and therefore value chain analysis, is to make or support a competitive benefit.

A **supply chain** is a structure of organizations, people, activities, data, and resources involved in moving a product or service from supplier to customer.

The main objective of supply chain management includes management of a varied range of components and procedures, for instance, storing of raw materials, handling the inventory, warehousing, and movement of finished product from the point of processing to the point of consumption.





**Business model** describes the reasons of how an organization creates, delivers, and captures value in economic, social, cultural or other contexts. The development of business model construction and variation is also called *business model innovation* and forms a part of business plan.

It is a company's plan for how it will make revenues and make a profit. It describes what products or services the business plans to manufacture and market, and how it plans to do so, as well as what expenses it will incur.

There are important phases in developing your business model, namely; Identifying the specific audience; establishing business process; recording a business resources; developing strong value proposition; determining key business partners; and creating a demand for today's generation strategy and be open for innovations.

After developing a business model, we will proceed in developing a business plan. To be able to successfully complete this module, you need to prepare a business plan and operate your plan and finally keep records of your business transactions.

**Business plan** is an important tool for you to have an idea about the future of your business. Your business plan will be your guide in the moment you will be implementing and operating your business proposal.

You can also make use of the business plan in securing investment capital from financial institutions or lenders. It can also be used to influence people to work for your enterprise, to secure credit from suppliers, and to fascinate potential customers.

Read the stories of Jessie, Mercy and Monna below to fully understand the importance of having a business plan:

*“Jessie is the eldest of five children of Mr. & Mrs. Natividad. The family is having difficulty to support for their everyday needs. Because of this, Jessie tried to enter selling banana cue and with his dream to make his business grow, he put up many stalls in the community without considering the advises of his friends to make a business plan before implementing his decision. After a few months his stalls shutdown.”*

*“Mercy is the youngest in the family. She found out that she loves to cut hair and apply make up to her friends. Until such time that her friends introduced her to their friends too for haircut and make up when there are occasions. Few months after, Mercy was told by her friends to put up a beauty parlor in their place. So she asks her mother who is also a businesswoman to teach her how to make a business plan and eventually ended with a successful business.”*

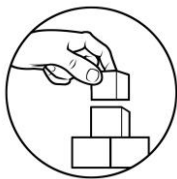
*“Monna is a diligent student. Because of her knowledge gained from school about business plan she was able to enhance her skills in business and finally found herself into his laundry shop business.”*

Each scenario taught us that business is not just about how much income or profit you can get but it's about the life of your business. And in having a business, you also have to consider technological forces, Social forces, Political forces, Cultural forces, Economic forces and Legal forces.

The following are the components found in a Business Plan.

- **Introduction-** this part discusses what is the business plan all about.
- **Executive Summary-** is part of the business plan which is the first to be presented but the last to be made.
- **Management Section-** shows how you will manage your business and the people you need to help you in your operations.
- **Marketing Section-** shows the design of your product/service; pricing, where you will sell and how you will introduce your product/service to your market.

- **Financial Section-** shows the money needed for the business, how much you will take in and how much you will pay out.
- **Production Section-** shows the area, equipment and materials needed for the business.
- **Competitive Analysis-** is the strategy where you identify major competitors and research their products, sales and marketing strategies.
- **Market-** The persons who will buy the product or services
- **Organizational chart-** is the diagram showing graphically the relation of one official to another, or others of a company.



### What's More

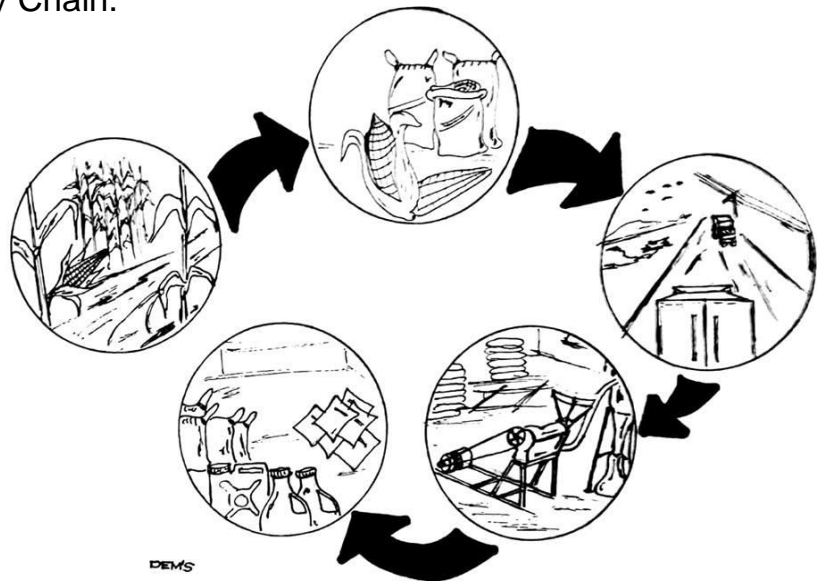
General Directions: Answer the following questions based on your learnings about 4M's of production and Value Chain or Supply Chain. Write your answer on the space provided. Five (5) points in each correct answer for Problem No.1 and 2 points for each correct answer in Problem No.2.

Problem No. 1. *"In your home, when you want to eat egg sandwich before going to school, your mother would surely prepare it for you. Your egg sandwich would not be produced without a process."*

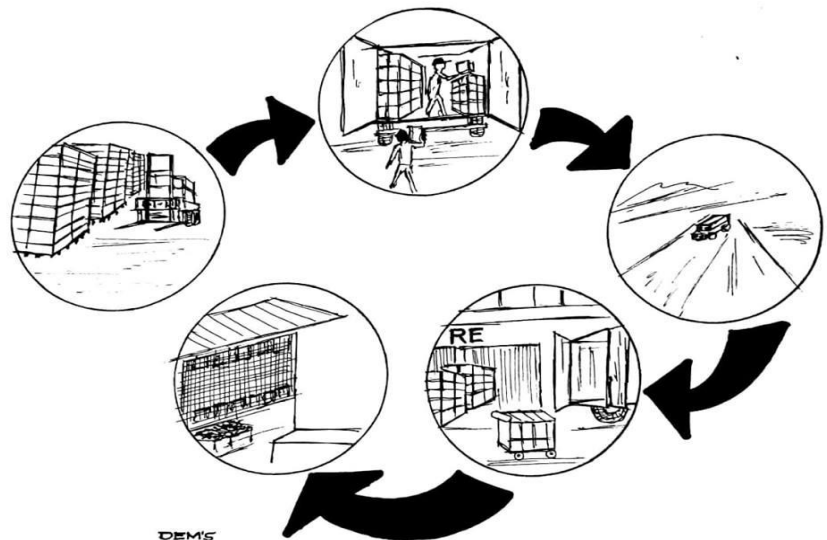
1. Who would be your manpower? \_\_\_\_\_
2. What would be your materials? \_\_\_\_\_
3. What machines or tools would you use? \_\_\_\_\_
4. What methods are needed to produce the egg sandwich? (Cooking procedures- enumerate them).  
\_\_\_\_\_

Problem No. 2: With the pictures shown below, identify each picture whether it is Value Chain or Supply Chain.

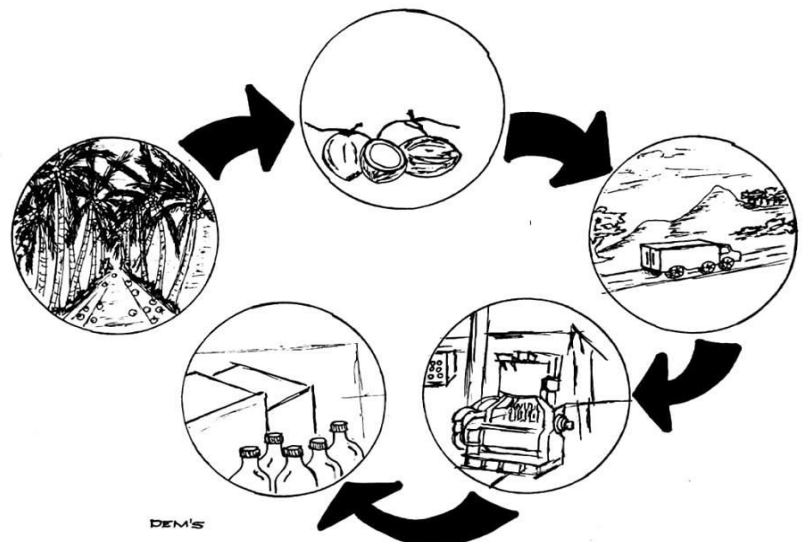
1. \_\_\_\_\_



2. \_\_\_\_\_



3. \_\_\_\_\_

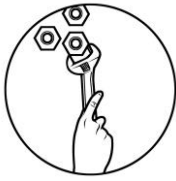




## **What I Have Learned**

Complete the statements below and write your answers on the space provided.

1. \_\_\_\_\_ talks about human labor force involved in the manufacture of products. It is measured as the most serious and main factor of production.
2. \_\_\_\_\_ is about raw materials necessary in the production of a product.
3. \_\_\_\_\_ discusses the process or way of transforming raw materials to finished products.
4. The purpose of a \_\_\_\_\_ is to provide customers with details around the features and benefits of the product so they're obliged to buy.
5. A duplication of a product as it will be produced, which may contain such details as color, graphics, packaging and directions. One of the necessary early steps in the inventing method is creating a \_\_\_\_\_.
6. \_\_\_\_\_ are your business partners, without them your business will not live.
7. \_\_\_\_\_ describes the reasons of how an organization creates, delivers, and captures value in economic, social, cultural or other contexts.
8. \_\_\_\_\_ is an important tool for you to have an idea about the future of your business.
9. \_\_\_\_\_ is part of the business plan which is the first to be presented but the last to be made.
10. \_\_\_\_\_ shows the design of your product/service; pricing, where you will sell and how you will introduce your product/service to your market.



## What I can Do

Direction: Answer the following questions base on the picture shown below. Write your answers on the space provided. Two (2) points in each correct answer.



1. Are you familiar with the picture above? Give one example of a food business establishment that you think is famous among teenagers today.

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2. What do you think is the reason why this particular food business establishment becomes famous amongst teens nowadays?

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3. Do you know some other ways to enjoy their product other than coming in personally into their store and buying their product for yourself?

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4. Do you think such strategies are effective to make the business more productive? Why or why not?

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## Assessment

Direction: Encircle the letter of your choice.

1. Which of the following refers to the human workforce involved in the manufacture of products?  
A. Materials                  B. Method                  C. Machine                  D. Manpower
2. The 4M's of production are as follows except ONE.  
A. Management      B. Manpower      C. Method                  D. Machine
3. Which of the following refers to the marketing copy that explains what a product is and why it is worth purchasing?  
A. Prototype                                  C. Business Model  
B. Product description                  D. Suppliers
4. It represents the final products from the production process and distributed to the customers.  
A. Input                  B. Supplies                  C. Output                  D. Materials
5. It is a replica of a product.  
A. Prototype                                  C. Business Model  
B. Product description                  D. Suppliers
6. Which of the following refers to the system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer?  
A. Supply chain      B. Value chain                  C. Business model      D. Prototype
7. Which of the following is the process or activities by which a company adds value to an article, including production, marketing, and the provision of after-sales service?  
A. Supply chain      B. Value chain                  C. Business model      D. Prototype
8. It describes the rationale of how an organization creates, delivers, and captures value in economic, social, cultural or other contexts.  
A. Prototype                                  C. Business Model

B. Product description

D. Suppliers

9. It is an entity that supplies goods and services to another organization.

A. Prototype      B. Product description      C. Business model      D. Suppliers

10. Which of the following refers to the manufacturing equipment used in the production of goods or delivery of services?

A. Machine      B. Manpower      C. Method      D. Materials

11. It refers to the process or technique of converting raw materials to finished products.

A. Machine      B. Manpower      C. Method      D. Materials

12. It simply refers to the raw materials needed in the production of a product.

A. Machine      B. Manpower      C. Method      D. Materials

13. Statement I- Skills and expertise is not important in considering manpower.

Statement II- Benefits are the reasons why customers will decide to buy the products.

A. Only Statement I is true.      C. Both Statements are true.

B. Only Statement II is true.      D. Both Statements are false.

14. Statement I- Educational qualifications and experience is one of the criteria in considering manpower.

Statement II- Product to produce is one of the factors to be considered in method or production method.

A. Only Statement I is true.      C. Both Statements are true.

B. Only Statement II is true.      D. Both Statements are false.

15. Statement I- In selecting the type of equipment to purchase, the entrepreneur may consider cost and capacity of the equipment.

Statement II- The purpose of a *product description* is to supply customers through details around the features and benefits of the product.

A. Only Statement I is true.      C. Both Statements are true.

B. Only Statement II is true.      D. Both Statements are false.





## Additional Activities

### Business Plan Making

Below is a template for business plan. You need to fill this out using the business you want to pursue.

MANAGEMENT SECTION	This section will show how you will manage your business and the people you need to help you in your operations
	a. Manager: _____ b. Workers: _____
MARKETING SECTION	This section shows the design of your product/service; pricing, where you will sell and how you will introduce your product/service to your market.
	a. Product Description: _____ b. Price: _____ c. Selling location: _____ d. Promotional Activity: _____
FINANCE SECTION	This section shows the money needed for the business, how much you will take in and how much you will pay out
	a. Capital Amount: _____ b. Expected Daily Sales: _____ c. Expected Daily Expenses: _____ d. Income per Day: _____
PRODUCTION SECTION	This section shows the area, equipment and materials needs for the business.
	a. Draw a lay out of your production area:  b. Enumerate the equipment needed:

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	c. Enumerate the materials needed:	
<b>RUBRIC FOR BUSINESS PLAN MAKING</b>		
Content	The content was well-thought ,guide questions were thoroughly answered	15
Organization	The paper was well-written with ideas easily conveyed to readers.	10
Development	Points are thoroughly developed	5
<b>TOTAL</b>		30